

# Analyst Briefing Notes

## Budget Advisory Committee

(January 13, 2006)

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## PART I: 2006 OPERATING BUDGET OVERVIEW

**Table 1: 2006 Proposed Budget**

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.	\$	%	2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	30,048.3	32,201.2	33,838.9		33,838.9	3,790.6	12.6		
<b>REVENUE</b>	27,032.9	29,185.8	30,763.2		30,763.2	3,730.3	13.8		
<b>NET EXP.</b>	3,015.4	3,015.4	3,075.7	0.0	3,075.7	60.3	2.0		
<b>Approved Positions</b>	371.2	389.3	394.7	0.0	394.7	23.5	6.3		
<b>TARGET</b>			<b>3,075.7</b>						
<b>\$ Over / (Under) Program Target</b>			<b>(0.0)</b>						
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>						

### Executive Summary

- The 2005 projected year-end net expenditure by Toronto and Region Conservation Authority (TRCA) of \$3.015 million is anticipated to be at the 2005 Approved Budget.
- The 2006 Proposed Budget for TRCA of \$3.076 million net is comprised entirely of Base funding with no proposed New Council Priorities and is 2.0% higher than the 2005 Approved Budget. There are no resulting incremental impacts in future years. The 2006 Proposed Budget also includes a net increase of 23.5 approved positions which primarily reflects base budget adjustments for position reclassifications and an adjustment to the City's share of TRCA's service costs. (Refer to page 7 for details.)
- It is proposed that the contribution toward TRCA's 2006 Operating Budget from the Wastewater Capital Reserve Fund be increased from the 2005 level of \$3.393 million to \$3.597 million in 2006, an increase of \$0.204 million or 6% over the 2005 level.
- The 2006 Proposed Base Budget is at the 2006 target of 2% over the 2005 Approved Budget.
- Key cost drivers include annualizations and reclassifications of positions, Cost of Living Adjustments (COLA) and increased OMERS contributions. (Refer to page 5 for details.)

**Recommendations**

It is recommended that:

- (1) the Toronto and Region Conservation Authority 2006 Proposed Operating Budget of \$33.839 million gross and \$3.076 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$'000)</u>	<u>Net</u> <u>(\$'000)</u>
Corporate Services	4,598.1	2,341.1
Watershed Health	19,705.5	2,540.8
Watershed Experience	9,715.0	1,707.6
Rouge Park Interim Management	566.7	82.9
Sub-total	<u>34,045.2</u>	<u>6,672.4</u>
Contribution from Wastewater Capital Reserve Fund		(3,596.7)
Total Program Budget		<u><b>3,075.7</b></u>

- (2) the contribution toward the Toronto and Region Conservation Authority 2006 Proposed Operating Budget from the Wastewater Capital Reserve Fund be increased from the 2005 level of \$3.393 million to \$3.597 million in 2006, an increase of \$0.204 million or 6% over the 2005 level; and
- (3) the General Manager of Toronto Water and the Deputy City Manager and Chief Financial Officer report to the Budget Advisory Committee before July 2006 on a consistent approach to the contribution from the Wastewater Capital Reserve Fund to the Toronto and Region Conservation Authority Operating Budget for 2007 and future years.

## PART II: BASE BUDGET

### Section A: 2005 Budget Variance Analysis

**Table 2: 2005 Budget Variance Review**

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	26,650.7	30,048.3	32,201.2	(2,152.9)	(7.2)
<b>REVENUES</b>	23,906.2	27,032.9	29,185.8	(2,152.9)	(8.0)
<b>NET EXP.</b>	2,744.5	3,015.4	3,015.4	(0.0)	(0.0)
<b>Approved Positions</b>	356.6	371.2	389.3	(18.1)	(4.9)

\*Projected Actual expenditures to year-end based on 3<sup>rd</sup> Quarter Variance Report

### 2005 Experience

- TRCA's Third Quarter Variance report indicates that the Program's actual results to date are consistent with budgeted levels.
- The Program's year-end projection of \$3.015 million net matches its 2005 Approved Budget on a net expenditure basis. On the basis of gross expenditures and revenues, there are variances between the 2005 Approved Budget and the 2005 projected actual results. Those variances arise from technical adjustments for the reallocation of funding for the services comprising TRCA's total operating budget among the various municipalities which fund the TRCA.

### Impact of 2005 Operating Variance on 2006 Proposed Budget

- No variance is projected by TRCA as the Program manages within the levy as required by the Conservation Authorities Act.
- There was an increase in 2005 approved positions of 18.1 approved positions. This arose from a technical adjustment in April 2005 following the finalization of TRCA's operating budget. The adjustment has no impact on the funding commitment for 2005 by the City of Toronto. However, it does increase the number of approved positions to be funded in the Program's 2006 Base Budget.

**Section B: 2006 Proposed Base Budget**

**Table 3: 2006 Proposed Base Budget**

(In \$000s)	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change 2006 Proposed Base v. 2005 Approved Budget		FY Incremental Outlook	
				\$	%	2007	2008
<b>GROSS EXP.</b>	30,048.3	33,913.9	33,838.9	3,790.6	12.6		
<b>REVENUE</b>	27,032.9	30,788.0	30,763.2	3,730.3	13.8		
<b>NET EXP.</b>	3,015.4	3,125.9	3,075.7	60.3	2.0	0.0	0.0
<b>Approved Positions</b>	371.2	371.2	394.7	23.5	6.3		
<b>NET TARGET</b>			<b>3,075.7</b>				
<b>\$ Over / (Under) Program Target</b>			<b>(0.0)</b>				
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>				

**2006 Proposed Base Budget**

- TRCA’s 2006 Proposed Base Budget of \$3.076 million net represents a 2.0% increase over the Program’s 2005 Approved Budget and, as such, is at its 2006 target.
- The City made an in-year technical adjustment resulting in a \$0.206 million increase in gross expenditures in TRCA’s 2005 Approved Operating Budget to reflect a Cost of Living Adjustment (COLA). This adjustment increased the Program’s net expenditure from \$2.809 million to \$3.015 million.

Beyond that adjustment, the base budget increases are attributable to the following factors:

- Prior year impacts to TRCA’s 2005 Approved Operating Budget totaled \$2.149 million gross and \$0.384 million net and consisted of annualizations of \$1.719 million gross and \$0.097 million net and economic factors of \$0.430 million gross and \$0.287 million net. The annualizations included an adjustment for 10.7 positions added during 2005 to address growing demand in development and environmental science areas as a result of rapid development in TRCA’s area of jurisdiction.
- Recalculation to reflect City of Toronto’s share of TRCA’s final 2005 operating budget: An adjustment consisting of an increase in gross expenditures and revenue of \$2.359 million each with a zero net effect and an increase of 18.1 approved positions was made to the base budget. The adjustment has no net impact on the funding required from the City of Toronto and arises since TRCA’s submission to the City of Toronto is made in the fall preceding any given budget year but TRCA does not finalize its overall budget until the spring of that budget year.

- **Current Value Assessment:** TRCA is a provincial/municipal partnership established in 1957 under the Conservation Authorities Act. There is a Provincially-legislated method for apportioning the TRCA levy among the City of Toronto and other municipalities based on the total value of assessments and the portion of the municipality that falls within TRCA's area of jurisdiction. That method yielded a slight decrease in the City's share for 2006 – down from 67.7% to 66.9%. The request for City of Toronto funding has been adjusted downward by \$0.070 million in light of this change.
- **Revenue Changes:** TRCA lowered its revenue projections for its Conservation Areas, Black Creek Pioneer Village (BCPV) and Property division. Accordingly, TRCA has adjusted expenditure through a staff reduction by 3.8 approved positions in those areas in order to stay within expected revenue projections and still be able to keep priority positions, with a net zero impact on funding requirements.

TRCA achieved its budget target following the administrative review by proposing a reduction strategy to lower its funding request by \$0.050 million through a staff reduction of 1.5 approved positions at its public use facilities.

It is proposed that the contribution toward the TRCA 2006 Operating Budget from the Wastewater Capital Reserve Fund be increased from the 2005 level of \$3.393 million to \$3.597 million in 2006, an increase of \$0.204 million or 6% over the 2005 level.

### 2006 Key Cost Drivers

Gross expenditures are projected to increase by \$3.791 million – from \$30.048 million in 2005 to \$34.045 million in 2006. The key cost drivers are as follows:

- Increased development and scientific support service level improvements from 2004-2005 have resulted in salary, wage and benefit pressures of \$1.195 million, largely offset by increased user fee revenues.
- Growing demands in the planning and environmental science area as a result of rapid development within TRCA's area of jurisdiction have necessitated the addition of 10.7 positions during the course of 2005 to address the situation, increasing TRCA's gross expenditure by \$0.770 million, largely offset by increased user fee revenues.
- Position reclassifications to bring several technical staff groups closer to competitive wage rates increased TRCA's gross expenditure by \$0.760 million.
- In order to retain staff by making wage levels more competitive with the municipal/provincial sector and the private sector in and around the Greater Toronto Area, TRCA made a Cost of Living Adjustment (COLA) of approximately 2%, increasing gross expenditure by \$0.270 million.
- Required increases in OMERS contributions and non-labour economic factors for base services increased TRCA's gross expenditure by \$0.160 million.

**Table 4: Summary of Proposed Base Budget Changes  
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
<b>2005 Approved Operating Budget</b>	<b>371.2</b>	<b>29,842.0</b>	<b>27,032.9</b>	<b>2,809.1</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		206.3		206.3		
<b>2005 Approved Operating Budget</b>	<b>371.2</b>	<b>30,048.3</b>	<b>27,032.9</b>	<b>3,015.4</b>	<b>0.0</b>	<b>0.0</b>
Annualizations	10.7	1,718.6	1,621.9	96.7		
Economic factors		429.9	142.5	287.4		
<b>Adjusted Base Budget</b>	<b>381.9</b>	<b>32,196.8</b>	<b>28,797.3</b>	<b>3,399.5</b>	<b>0.0</b>	<b>0.0</b>
Other base changes	18.1	2,359.3	2,429.3	(70.0)		
Base revenue changes	(3.8)	(435.9)	(435.9)	0.0		
<b>2006 Base Budget Request</b>	<b>396.2</b>	<b>34,120.2</b>	<b>30,790.7</b>	<b>3,329.5</b>	<b>0.0</b>	<b>0.0</b>
Recommended Base Adjustments:						
Other base changes						
Service efficiencies	(1.5)	(75.0)	(24.8)	(50.2)		
Revenue adjustments			203.6	(203.6)		
Minor service impact						
Major service impact						
<b>Total Proposed Base Adjustments</b>	<b>(1.5)</b>	<b>(75.0)</b>	<b>178.8</b>	<b>(253.8)</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Proposed Base Budget</b>	<b>394.7</b>	<b>34,045.2</b>	<b>30,969.5</b>	<b>3,075.7</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>3,075.7</b>		
<b>% Over (Under) Program Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(0.0)</b>		
<b>% Over (Under) 2005 Approved Budget</b>	<b>6.3</b>	<b>13.3</b>	<b>14.6</b>	<b>2.0</b>		

**Section C: 2006 Base Budget Issues****Key Issues and Recommendations***Service Level Changes - Efficiencies*

Although seasonal staff reductions of 1.5 approved positions were made at Black Creek Pioneer Village (BCPV) in order to meet target, there are no proposed changes to TRCA's service levels.

**Contribution from Wastewater Capital Reserve Fund**

The contribution toward TRCA's 2006 Operating Budget from the Wastewater Capital Reserve Fund is used for TRCA's activities which pertain directly or indirectly to water and water quality. It is proposed that the contribution toward TRCA's 2006 Operating Budget from the Wastewater Capital Reserve Fund be increased from the 2005 level of \$3.393 million to \$3.597 million in 2006, an increase of \$0.204 million or 6%. The 2005 contribution from the Wastewater Capital Reserve Fund represented 52.9% of approved funding for TRCA. The proposed increase represents 53.9% of the 2006 Proposed Operating Budget and loosely reflects the significant proportion of TRCA's activities which pertain to water and water quality. This proposed allocation maintains the levy-funded proportion at the target of 2% over the 2005 level.

It is further proposed that the General Manager of Toronto Water and the Deputy City Manager and Chief Financial Officer report to the Budget Advisory Committee before July 2006 on a consistent approach to the contribution from the Wastewater Capital Reserve Fund to the Toronto and Region Conservation Authority Operating Budget for 2007 and future years.

***3 Year Operating Budget Overview***

TRCA plans to maintain its established service priorities in the coming 3 year period – shifting its emphasis to activities and programs focused on achieving higher quality environmental health including water quality and quantity. Continued involvement in City of Toronto waterfront planning and development is a priority as well as support for redevelopment projects such as the Don Valley Brick Works, the Guild Inn and core TRCA flood control programs.

The 2007 and 2008 budget outlooks forecast a 5% increase on net costs each year based on the same service levels. TRCA anticipates salary and wage pressures in the form of step increases and COLA as well as inflationary pressures. Although TRCA will make every effort to mitigate these anticipated pressures, the funding requests to the City of Toronto could increase by up to 5% in 2007 and again by 5% in 2008.

*Service Levels, Delivery, or Gap Issues*

- There are no service level, service delivery or gap issues for TRCA.

**Issues Referred to 2006 Operating Budget Process**

There are no TRCA issues referred to the 2006 Operating Budget Process.

**Outstanding Issues from 2005 and Prior Years**

There are no outstanding TRCA issues from 2005 and prior years.

**Appendix A**

**Summary of Service Level Adjustments**